

UNITED STATES TARIFF COMMISSION

WRENCHES, PLIERS, SCREWDRIVERS, AND
METAL-CUTTING SNIPS AND SHEARS
FROM JAPAN

Determination of No Injury or Likelihood
Thereof in Investigation No. AA1921-141
Under the Antidumping Act, 1921, as Amended



TC Publication 696
Washington, D. C.
October 1974

UNITED STATES TARIFF COMMISSION

COMMISSIONERS

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United States Tariff Commission
Washington, D.C.
[AA1921-141]

October 21, 1974

Wrenches, Pliers, Screwdrivers, and Metal-cutting Snips
and Shears from Japan

Determination of No Injury or Likelihood Thereof
or Prevention of Establishment

The Treasury Department advised the Tariff Commission on July 19, 1974, that wrenches, pliers, screwdrivers, and metal-cutting snips and shears from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act of 1921, as amended. In accordance with the requirements of section 201(a) of the Antidumping Act (19 U.S.C. 160(a)), the Tariff Commission instituted investigation AA1921-141 to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such merchandise into the United States.

Notice of the institution of the investigation and of a public hearing to be held in connection therewith was published in the Federal Register of July 30, 1974 (39 F.R. 27614). The hearing was held during August 20-23, 1974.

In arriving at its determination, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

On the basis of the investigation, the Commission 1/ has unanimously determined that an industry in the United States is not being injured or is not likely to be injured, or is not prevented from being established, by reason of the importation of wrenches, pliers, screwdrivers and metal-cutting snips and shears from Japan that are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Commissioner Minchew did not participate in the decision.

Statement of Reasons for Negative Determination of
Chairman Bedell, Vice Chairman Parker, and
Commissioners Moore and Ablondi

The Antidumping Act, 1921, as amended, requires that the Tariff Commission find two conditions satisfied before an affirmative determination can be made. First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established. Second, such injury or likelihood of injury or prevention of establishment of an industry 1/ must be "by reason of" the importation into the United States of the class or kind of foreign merchandise which the Secretary of the Treasury has determined is being, or is likely to be, sold at less than fair value (LTFV).

On the basis of the investigation, we have determined that an industry in the United States is not being, nor is it likely to be, injured by reason of importation of wrenches, pliers, screwdrivers, and metal-cutting snips and shears from Japan found by the Secretary of the Treasury to have been sold or likely to be sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

The domestic industry of concern in this investigation consists of the facilities in the United States devoted to the production of wrenches, pliers, screwdrivers, and metal-cutting snips and shears. Such articles are produced at plants located throughout the United States. The domestic industry produces primarily forged tools, while the Japanese articles sold at less than fair value have been mostly cast or partly forged and cast.

Hand tools, including the types found by the Treasury to have been sold at less than fair value, are sold in the United States in several

1/ Prevention of the establishment of an industry is not an issue in the instant case and will not be discussed further.

differentiated markets--a market for higher priced, professional-quality tools of the types considered here serviced primarily by hardware stores; one for mid-priced, medium-quality tools serviced predominantly by department stores; and one for low-priced, low-quality tools serviced mostly by discount outlets, drug stores, and supermarkets. The bulk of the domestic tools (probably more than 75 percent) are sold in the market for professional tools, and most of the remainder in the market for medium-quality tools. In contrast, the Japanese tools sold at less than fair value are sold chiefly in the market for low-priced tools.

Sales of tools in department stores, drug stores, supermarkets, and discount outlets are a relatively recent development, in contrast with the more traditional hardware-store outlet. Sales in the newer outlets comprise the fastest growing segment of the market. Several importers are credited with the development of this market through such innovative marketing devices as racking a full line of tools in blistered cards, which at the time of its introduction was untried by domestic hand-tool producers. The imported tools so marketed were generally of a lower quality and price than the traditional professional tools.

In the period of this investigation, the evidence indicates that the domestic industry has not been injured. Domestic shipments of the tools involved increased consistently, being about 39 percent greater in 1973 than in 1971. Exports of such tools by domestic producers increased from \$28 million in 1971 to \$37 million in 1973 and further to \$27 million in the first half of 1974 (when they equalled imports). The increased demand for domestic products was reflected in higher unfilled orders,

which rose from an approximate 3 to 4 months backlog at year-end 1971 to 5 to 6 months at year-end 1973. There is no evidence of price depression during the period of sales at LTFV, and no evidence of price suppression with respect to wrenches, pliers, screwdrivers, and metal-cutting snips and shears. The prices of these tools produced domestically rose in line with the Bureau of Labor Statistics index of all hand-tool prices. The average profitability of the domestic hand-tool industry was maintained during the period of this investigation, 1971-73. To the extent that some domestic producers experienced reduced operating margins, these were found to be caused primarily by increases in raw material costs during the period of price controls, and, in one instance, by a prolonged strike. There was no evidence of causality between LTFV sales of hand tools from Japan at less than fair value and any decreased profit margins.

The evidence before the Commission indicates not only that the domestic industry has not been injured, but that there is no likelihood of injury within the terms of the antidumping statute. Domestic shipments of hand tools were higher in the first half of 1974 than in the corresponding period of 1973, responding to increased domestic consumption. The prices of both the domestically produced and Japanese hand tools involved have continued to rise, but the prices of the Japanese articles have increased more steeply than those of the domestic. The steeper price increase for the Japanese articles appears to have resulted mostly from rapidly rising Japanese costs, as well as the changes in the dollar-yen exchange rate.

Conclusion

We conclude that an industry is not being injured or is not likely to be injured by reason of the imports of wrenches, pliers, screwdrivers, and metal-cutting snips and shears from Japan that are being, or likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons for Negative Determination
of Commissioner Leonard

In my opinion, an industry in the United States is not being or is not likely to be injured by reason of the importation of wrenches, pliers, screwdrivers and metal-cutting snips and shears from Japan that are being, or are likely to be sold at less than fair value (LTFV) within the meaning of the Antidumping Act, 1921, as amended. ^{1/} In reaching this determination, I have considered the most likely domestic industry to be affected by such imports to consist of all of the facilities in the United States engaged in the production of wrenches, pliers, screwdrivers and metal-cutting snips and shears (hereinafter referred to as "the specified hand tools"). Approximately 50 U.S. producers account for about 95 percent of total value of domestic shipments of these tools.

Different markets

The specified hand tools from Japan sold, or likely to be sold, at LTFV generally are manufactured by different processes and are designed for a specific market that is not fully serviced by the bulk of the domestic tools. The Japanese and domestic tools, in many cases, are not alike. The specified hand tool imports from Japan have been largely concentrated in the "do-it-yourself" household market which has not been supplied traditionally by U.S. producers. These tools are of lower quality and are relatively inexpensive.

^{1/} Prevention of the establishment of an industry is not an issue in the instant case.

Over 90 percent of the specified hand tools imported from Japan are distributed to the household market. This household market is serviced by retail outlets such as discount stores, supermarkets and drug stores for sale to the occasional user or impulse buyer whose trade or profession does not involve the regular use of hand tools. This market is generally characterized by its demand for lower-priced hand tools.

Domestic manufacturers traditionally have produced the specified hand tools of high quality for professional use. The traditional markets for the bulk of the domestically produced specified hand tools are independent distributors who sell to hardware stores and to department stores catering to tradesmen such as machinists, carpenters, plumbers, and general repairmen. In 1973, for example, over 75 percent of total domestic shipments were sold for such trade or professional use.

Moreover, domestic producers have alleged that they cannot manufacture profitably the lower quality, relatively inexpensive tools sold in the household market because of prevailing U.S. labor and materials costs. Distributors of the higher quality hand tools generally buy comparatively small quantities of tools of Japanese origin and then only to supplement domestic product lines or for the purpose of providing tools for immediate delivery ^{1/} when domestic hand tools are in short supply.

^{1/} The buildup of foreign supplies by domestic distributors of hand tools to insure immediate delivery is not typical of domestic versus foreign competitive situations. Generally, domestic products are relied upon for rapid delivery, and foreign goods require longer lead times.

No injury

Strong market demand for the specified hand tools of all qualities is illustrated by the increase in apparent domestic consumption over the period of 1970-1973. In dollar terms, overall domestic consumption of the tools covered by this investigation were 66 percent larger in 1973 than in 1970. Consumption of wrenches increased 76 percent; pliers, 26 percent; screwdrivers, 64 percent; and metal-cutting snips and shears, 58 percent. Domestic shipments of the specified hand tools rose because of increased demand. Domestic shipments of wrenches increased 66 percent; pliers, 31 percent; screwdrivers, 66 percent; and metal-cutting snips and shears, 52 percent. Thus, the increase over the period 1970-73 of domestic shipments of the specified hand tools was similar to the increase in total consumption. Imports took a slightly larger share of consumption during this time, and whatever increase imports were able to register in their share of the market seems to have been due to the inability of the domestic producers to satisfy the increased demand.

Unfilled domestic orders for each type of tool increased in 1972 and, with the exception of screwdrivers, again in 1973. Inventories of domestic producers began to decline in 1973 as compared with 1972. The combined effect of increased shipments, increased backlogs of unfilled orders reported to the Commission by producers (confirming the claims of distributors), declining inventories and

temporary shortages of component materials during 1973-74 resulted in lengthened delivery times for the specified domestic hand tools and contributed to the demand for imported tools.

During the 1970-1973 period, U.S. exports of all these tools increased by about 44 percent. Exports exceeded imports in 1970 and 1971 and again during the first 6 months of 1974. Due to the increase in demand for the specified hand tools, domestic producers have enlarged existing production facilities, undertaken new plant construction, and registered increases in manhours of production-related workers for the years 1972 and 1973.

There has been no price depression, as prices of the specified domestic hand tools generally rose between 1971 and 1974. Similarly, there appears to be no evidence of price suppression.^{1/} Prices for all industrial commodities advanced 7.9 percent from 1971 through 1973, with price advances for all hand tools averaging 8.7 percent. In such a situation, it is difficult to conceive of any price suppression.

The lack of injury to the domestic industry is also reflected in its financial experience. As a share of net sales, net operating

^{1/} For a discussion of price depression and price suppression, see: Metal Punching Machines, Single-End Type, Manually Operated, from Japan . . . Investigation No. AA1921-133 Under the Antidumping Act, 1921, as Amended, TC Publication 640, 1974, pp. 5-6.

profits of the domestic manufacturers where the specified hand tools were produced averaged 11.8 percent in 1971, 12.9 percent in 1972, and 11.8 percent in 1973. Although profits in 1973 failed to increase with increased sales, rising material costs and price control regulation were at least in part responsible for the reduction. For the period 1971-1973, the operating profit ratios for the domestic manufacturers of the specified hand tools were equal to or better than other U.S. industries.

No likelihood of injury

For there to be likelihood of injury, there must be a realistic connection between a situation that presently exists and what will probably happen should the present situation continue. A trend that indicates future injury must be shown. Given the evidence developed in this investigation, such a connection, such a trend, cannot be made. It would be a flight of fancy to forecast injury to the domestic industry in the future based upon the information at hand.

Demand for the specified hand tools as measured by apparent domestic consumption continued to increase in the first half of 1974 as compared with the first half of 1973, and so did domestic shipments. Prices of both the specified domestic and Japanese hand tools have continued to increase. The two currency revaluations affecting the relationship between the dollar and the yen and

rapidly rising Japanese costs by the end of 1973 had substantially reduced price differentials between the specified domestic and Japanese hand tools wherever they competed. During the 12-month period June 1973-June 1974, Japanese prices generally rose at a steeper rate than did U.S. prices for the specified hand tools.

Conclusion

Accordingly, for the reasons indicated, I conclude that an industry is not being injured or is not likely to be injured or is not prevented from being established by reason of the importation of wrenches, pliers, screwdrivers, and metal-cutting snips and shears from Japan that are being, or are likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.